

REPORT
EAST JEFFERSON GENERAL HOSPITAL
RETIREMENT AND SAVINGS PLANS
DECEMBER 31, 2008 AND 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6/3/09

EAST JEFFERSON GENERAL HOSPITAL

RETIREMENT AND SAVINGS PLAN

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DECEMBER 31, 2008 AND 2007

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MICHAEL J. O'ROURKE, C.P.A.
WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR., C.P.A.
DAVID A. BURGARD, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A.
DENNIS W. DILLON, C.P.A.

ANN H. HEBERT, C.P.A.
ROBIN A. STROHMEYER, C.P.A.
GRADY C. LLOYD, III, C.P.A.
HENRY L. SILVA, C.P.A.



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

1340 Poydras St., Suite 2000 · New Orleans, LA 70112

(504) 586-8866

FAX (504) 525-5888

www.dhmcpcpa.com

A.J. DUPLANTIER JR., C.P.A.
(1919-1983)
FELIX J. HRAPMANN, JR., C.P.A.
(1918-1990)
WILLIAM R. HOGAN, JR., C.P.A.
(1920-1996)
JAMES MAHER, JR., C.P.A.
(1921-1999)

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA C.P.A.'S

INDEPENDENT AUDITOR'S REPORT

March 30, 2009

To the Finance Committee
ATTN: Mr. Gregory Rittiner, Chairman
East Jefferson General Hospital
Retirement and Savings Plans
Metairie, Louisiana

We have audited the accompanying statements of net assets available for benefits of the East Jefferson General Hospital Retirement and Savings Plan as of December 31, 2008 and 2007 and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the East Jefferson General Hospital Retirement and Savings Plan at December 31, 2008 and 2007 and the results of changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements, but is supplementary information required by the principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental schedules listed in the foregoing index to report are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such required supplemental schedules for the years ending December 31, 2003 through December 31, 2008 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated March 30, 2009 on our consideration of the East Jefferson General Hospital Retirement and Savings Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Duplantier, Hrapmann, Hogan & Maher, LLP

**EAST JEFFERSON GENERAL HOSPITAL
RETIREMENT AND SAVINGS PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008**

This discussion and analysis of the financial performance of East Jefferson General Hospital's Savings and Pension Plan provides an overview of the Defined Contribution and Defined Benefit Plans' financial activities for the fiscal year ended December 31, 2008. Please read it in conjunction with the financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS – DEFINED BENEFIT RETIREMENT PLAN

The following highlights are explained in greater detail later in this discussion.

- The net assets held in trust for the Defined Benefit Retirement Plan funds decreased by \$12,353,963 during the 2008 fiscal year and totaled \$27,362,935 as of December 31, 2008.
- Retirement benefits paid during 2008 increased \$114,973 to total \$2,614,764.
- Employer contributions to the Plan decreased \$84,676 during 2008 to total \$1,413,042.
- Net appreciation in the fair market value of investments revealed net depreciation of \$11,840,881 compared to net appreciation of \$2,887,546 for the prior fiscal year.
- Investment advisory and custodial fees decreased \$27,925 to total \$247,172.

FINANCIAL HIGHLIGHTS –DEFINED CONTRIBUTION SAVINGS PLANS

The following highlights are explained in greater detail later in this discussion.

- The aggregate net assets held in trust for the Defined Contribution Savings Plans decreased by \$9,852,554 during the 2008 fiscal year and totaled \$81,198,527 as of December 31, 2008.
- Net appreciation in fair market value of investments revealed net depreciation of \$22,835,405 compared to net appreciation of \$1,368,673 for the prior fiscal year.
- Total contributions to the Savings Plans increased by \$419,514 to total \$13,820,992 on December 31, 2008.
- Total withdrawals increased \$393,200 during 2008 bringing total withdrawals to \$4,544,474.

CHANGES TO THE DEFINED BENEFIT PENSION PLAN

In July 2008, the Board of Directors approved an Amendment to provide retirement benefits to team members and physicians of East Jefferson Physicians Group, L.L.C., a Louisiana limited liability company. The Plan was amended as follows: Definition of Employer, Service Crediting, Preservation of Benefits, No Termination of Employment, No Duplication of Benefits, and Effective Time. Further explanations on the items mentioned above can be found under the section changes to the Defined Contribution Savings Plan Structure.

**EAST JEFFERSON GENERAL HOSPITAL
RETIREMENT AND SAVINGS PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008**

The Defined Benefit Plan Statement of Overall Investment Policy and Guidelines was revised in July 2008 and is pending board approval. The revision of the plan changed the allocation for the plan assets to be invested in accordance with the maximum and minimum range for each asset category as stated below.

FOR THE TOTAL FUND

| Asset Category | Minimum | Policy Target | Maximum |
|-----------------------|----------------|----------------------|----------------|
| Large Cap Stocks | 23% | 33% | 43% |
| Small Cap Stocks | 6% | 14% | 22% |
| International Stocks | 5% | 11% | 17% |
| U. S. Fixed Income | 13% | 23% | 33% |
| Int'l Fixed Income | 2% | 5% | 8% |
| Hedge Funds | 6% | 14% | 22% |

The Defined Benefit Plan has been frozen since January 2005. The freezing of the plan has had an ongoing effect of reducing the actuarially recommended contribution to the plans for the past few years. For 2009 the recommended contribution is \$1,851,102, \$438,059 more than the 2008 recommended contribution of 1,413,043. This increase can be attributable to the poor market conditions during 2008.

DEFINED BENEFIT RETIREMENT PLAN FINANCIAL PERFORMANCE

The net assets held in trust for the Defined Benefit Retirement Plan decreased by \$12,353,963 during the 2008 fiscal year and totaled \$27,362,935 as of December 31, 2008.

While the \$11,840,881 fair market value depreciation of plan investments contributed to a decrease in net assets during 2008, investment growth has decreased significantly in comparison to the \$2,887,546 appreciation reported in 2007. This decrease was offset by increases in net assets attributable to an \$114,973 increase in retirement benefits paid and a \$27,925 net decrease in advisory and custodial fees. When combined with the effects of a \$84,676 decrease in employer contributions, the net assets held in trust decreased \$12,353,963, compared to the \$2,892,529 increase reported in 2007.

Ten investment advisors are currently managing the investments in the Retirement Plan. The primary investment advisor, Equitas Capital Advisors, LLC, monitors and reports regularly on the performance of nine sub-advisors specializing in: Large Cap Equity Value, Small Cap Equity Value, Hedge Funds, International Equity/Fixed, and Fixed Income/Intermediate Term Bonds. During 2008, the fair market value of investments held by the Defined Benefit Pension Plan revealed a net depreciation of \$11,840,881. Equitas Capital Advisors has calculated the net time-weighted rate of return for the plan year ending December 31, 2008 at (28.97)%. This is a decrease of 39.76% compared to the 10.79% net time-weighted rate of return reported in 2007 and 3.86% lower than Equitas' Balanced Index benchmark. The under-performance of the Plan's investment relative to industry benchmarks can mostly be attributed to the (23.43)% returns provided by the Plan's Small Cap Equity Manager and the International Equity Manager.

**EAST JEFFERSON GENERAL HOSPITAL
RETIREMENT AND SAVINGS PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008**

Employer contributions to the Plan decreased \$84,676 to total \$1,413,042 at year-end. This contribution was approved by the Board of Directors and corresponded to the recommended contribution amount detailed in the 2008 Plan Year Actuarial Valuation performed by Milliman. The comparative increase in the required contribution is primarily attributable to the freezing of the Defined Benefit Plan and the resulting elimination of normal cost from the actuarial contribution calculation. The actuarial valuation for the plan year beginning January 1, 2009, recommends a \$1,851,102 contribution to the Pension Trust Fund during 2009.

The Schedule of Contributions – Employer and Other Sources (on page 20) presents historical trend information about the annual required employer contributions and the contributions made in relation to the requirement. The Schedule of Funding Progress (on page 21) includes historical trend information about the actuarially funded status of the plan from an on-going plan perspective and the progress made in accumulating sufficient assets to pay benefits and insurance premiums when due. These schedules provide information that contributes to understanding the changes over time in the funding status of the Plan.

CHANGES TO THE DEFINED CONTRIBUTION SAVINGS PLAN STRUCTURE

In the third quarter of 2008, the Board of Directors adopted a resolution to include East Jefferson Physicians, L.L.C. physicians and team members to the 401(a) Savings Plan, 401(a) Special Pay Plan, 403(b) Savings Plan, 403(b) Special Pay Plan, and the 457(b) Savings Plan. The Plans were amended as follows:

1. **Definition of Employer:** The definition of Employer in the Plan is revised to include the LLC.
2. **Service Crediting:** All service performed for either EJGH or the LLC shall be aggregated for purposes of eligibility, vesting, and accrual of benefits under the Plan.
3. **Preservation of Benefits:** All pre-transfer account balances, credits, and accrual of the transferring employees shall be preserved after the transfer. All prior employee elections and designation shall also remain in effect.
4. **No Termination of Employment:** No employee shall be considered as having terminated employment under the Plan solely as a result of transferring his or her employment from EJGH to the LLC, or vice versa.
5. **No Duplication of Benefits:** In no event shall any employee receive duplicate benefits from the Plan as a result of this Amendment.
6. **Effective Time:** This Amendment became effective August 1, 2008.

**EAST JEFFERSON GENERAL HOSPITAL
RETIREMENT AND SAVINGS PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008**

This amendment was necessary to continue benefits for physicians and team members whose employment was transferred to East Jefferson Physicians, L.L.C. without interruption, augmentation or reduction by Jefferson Parish Hospital Service District No. 2. East Jefferson General Hospital retains administrative and substantive control of the benefit plans.

COMBINED DEFINED CONTRIBUTION SAVINGS PLAN FINANCIAL PERFORMANCE

The net assets held in trust for the combined Savings Plan administered by East Jefferson General Hospital decreased by \$9,852,554 during the 2008 fiscal year. Net depreciation of \$22,835,405 was the main force behind the decrease in net assets. Combined investment income, net of investment advisory fees, totaled a loss of \$18,615,117. Total withdrawals, benefit paid, and forfeiture was \$5,058,429 for the year.

As stated above, the 2008 Savings Plan investments reflected a net depreciation in fair market value of \$22,835,405. While the depreciation of the fair market value of investments indicates a negative rate of return for 2008, returns have decreased in comparison to the \$1,368,673 net appreciation observed in 2007.

Total Contributions to the Savings Plans increased by \$419,514 to total \$13,820,992. Employer contributions had a net increase of \$672,490 and composed 1.60% of the overall increase. Total contribution by team members' decreased by \$252,976 for the year. Team-member contributions to the 403(b) plan decreased by \$344,949 versus and increase of \$97,814 in the 457(b) plan. The 403(b) decrease corresponds to the reduction of 365 403(b) plan participants during 2008. As participation in the 403(b) plan decreased, employer contributions to the 403(b) plan decrease as well.

EJGH RETIREMENT AND SAVINGS PLANS AS A WHOLE

During the year ended December 31, 2008, East Jefferson General Hospital's combined plan net assets decreased \$22,206,517, to total \$108,561,462. Much of the observed decline in the plan assets is attributable to the negative returns on investments and the decrease in total combine contributions. Plan participants decreased by 146 to total 1,170 at year end and total contributions for the defined benefit and defined contribution plans increased \$334,837, to total \$15,234,034.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided or requests for additional financial information should be addressed to Jack L. Sullivan, Vice President and Corporate Controller, East Jefferson General Hospital, 4200 Houma Boulevard, Metairie, Louisiana 70006, (504) 456-8137.

**EAST JEFFERSON GENERAL HOSPITAL
RETIREMENT AND SAVINGS PLAN
STATEMENTS OF CHANGES IN PLAN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

| | 2008 | | | | | 2007 | | | | |
|---|--|-----------------|--------------|--------------|-------------------------------|--|-----------------|---------------|--------------|-------------------------------|
| | Defined Benefit Retirement Plan | Savings Plan | | | (Total Memorandum Only) | Defined Benefit Retirement Plan | Savings Plan | | | (Total Memorandum Only) |
| | 401 (a) | 403 (b) Special | 403 (b) | 457 (b) | | 401 (a) | 403 (b) Special | 403 (b) | 457 (b) | |
| ADDITIONS: | | | | | | | | | | |
| Contributions: | | | | | | | | | | |
| Members | \$ - | \$ - | \$ 6,375,040 | \$ 1,722,416 | \$ 8,297,456 | \$ - | \$ - | \$ 6,919,989 | \$ 1,624,602 | \$ 8,550,432 |
| Employer | 1,413,042 | 3,381,624 | 2,141,912 | - | 6,936,578 | 1,497,719 | - | 1,895,498 | - | 6,348,765 |
| Total contributions | 1,413,042 | 3,381,624 | 8,716,952 | 1,722,416 | 15,234,034 | 1,497,719 | - | 8,815,487 | 1,624,602 | 14,899,197 |
| Investment income (loss): | | | | | | | | | | |
| Interest | 560,277 | 556,485 | 477,158 | 55,645 | 1,652,133 | 868,270 | 2,552 | 6,601 | - | 903,320 |
| Dividends | 375,535 | 1,467,640 | 1,351,513 | 314,640 | 3,509,328 | 413,882 | - | 1,130,091 | 255,483 | 3,643,283 |
| Net appreciation (depreciation) in fair value of investments | (11,840,881) | (12,076,124) | (8,848,668) | (1,885,418) | (34,676,286) | 2,887,546 | 5,564 | 215,136 | (155) | 4,256,219 |
| | (10,905,069) | (10,051,999) | (7,019,997) | (1,515,133) | (29,514,825) | 4,169,698 | 8,116 | 1,351,828 | 255,328 | 8,802,822 |
| Less: | | | | | | | | | | |
| Investment advisory services | 198,519 | - | - | - | 198,519 | 218,768 | - | - | - | 218,768 |
| Custodial fees | 48,633 | - | 4,490 | 871 | 54,014 | 56,329 | - | 21,926 | 4,328 | 126,197 |
| Net investment income (loss) | (11,152,241) | (10,051,999) | (7,024,487) | (1,516,004) | (29,767,358) | 3,894,601 | 8,116 | 1,329,902 | 251,000 | 8,457,857 |
| Total | (9,739,199) | (6,670,375) | 1,692,465 | 206,412 | (14,513,324) | 5,392,320 | 8,116 | 10,145,389 | 1,875,602 | 23,357,054 |
| DEDUCTIONS: | | | | | | | | | | |
| Retirement benefits paid and savings plan withdrawals | 2,614,764 | 2,859,712 | 1,551,730 | 126,711 | 7,159,239 | 2,499,791 | 520 | 1,411,974 | 220,894 | 6,651,065 |
| Forfeitures of nonvested contributions | - | 323,370 | 190,585 | - | 513,955 | - | - | 230,057 | - | 380,505 |
| Total | 2,614,764 | 3,183,082 | 1,742,315 | 126,711 | 7,673,194 | 2,499,791 | 520 | 1,642,031 | 220,894 | 7,031,570 |
| NET INCREASE (DECREASE) | (12,353,963) | (9,833,457) | (49,850) | 79,701 | (22,206,518) | 2,892,529 | 7,596 | 8,503,358 | 1,654,708 | 16,325,484 |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS: | | | | | | | | | | |
| Beginning of year as previously reported | 39,716,898 | 50,195,781 | 34,916,730 | 5,780,490 | 130,767,980 | 36,824,369 | - | 26,413,372 | 4,125,782 | 114,292,011 |
| Prior period adjustment | - | - | - | - | - | - | 150,485 | - | - | 150,485 |
| Net assets at beginning of year as restated | 39,716,898 | 50,195,781 | 34,916,730 | 5,780,490 | 130,767,980 | 36,824,369 | 150,485 | 26,413,372 | 4,125,782 | 114,442,496 |
| END OF YEAR | \$ 27,362,935 | \$ 40,342,324 | \$ 129,132 | \$ 5,860,191 | \$ 108,561,462 | \$ 39,716,898 | \$ 158,081 | \$ 34,916,730 | \$ 5,780,490 | \$ 130,767,980 |

See accompanying notes.

EAST JEFFERSON GENERAL HOSPITAL
RETIREMENT AND SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

Hospital service districts are authorized under Louisiana R.S. 46:1068 to establish and maintain actuarially sound pension and retirement systems making contributions from hospital service district funds. They may make contracts of insurance with any insurance company legally authorized to do business in Louisiana and may enter into other contracts and Trust Agreements with banks, which are incidental to creating and maintaining an actuarially sound pension and retirement system.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements are prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB) as the successor to the National Council on Governmental Accounting (NCGA). These financial statements include the provisions of GASB Statement Number 34, *Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments* and related standards.

Basis of Accounting:

The Plan's financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized in the period in which the employee is compensated for services performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Interest and dividend income is recognized when earned.

Method Used to Value Investments:

Investments are reported at fair value, based on quoted market prices, short-term investments are reported at cost and insurance contracts at contract value, which approximates fair value.

Memorandum Only Column:

The total columns on the Statement of Plan Net Assets and Statement of Changes in Plan Net Assets are captioned memorandum only to indicate that they are presented to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation.

Tax Status:

Both the retirement and 401(a) savings plan have obtained favorable determination letters. Although those Plans have been subsequently amended, it is believed that they are being operated in compliance with the applicable requirements of the Internal Revenue Code. The 403(b), 403(b) Special and 457(b) are proto type plans that have been designed to meet the requirements of the Internal Revenue Code.

EAST JEFFERSON GENERAL HOSPITAL
RETIREMENT AND SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

2. PLAN DESCRIPTION AND CONTRIBUTION INFORMATION:

The East Jefferson General Hospital Retirement Plan and Savings Plan Committee is the administrator of a single employer defined benefit retirement plan and hospital sponsored defined contribution savings plans. The Plans were established for the purpose of providing retirement benefits for substantially all employees of East Jefferson General Hospital (Hospital).

DEFINED BENEFIT RETIREMENT PLAN:

All full-time employees hired or re-hired prior to January 1, 2005 who are at least age 21 with at least one year of credited service are eligible to participate in the Plan. Plan benefits vest after 5 years of credited service. Employees who retire at, or after, age 62 with 5 years of credited service are entitled to an annual retirement benefit, payable monthly for life, unless the present value amount is under \$8,500. In these instances, the employer has the option to distribute benefits to the employee in a lump sum payment. The Plan also provides early retirement benefits at reduced amounts at age 55 with 10 years of service. The Plan also provides death benefits depending upon the payment option elected. This benefit provision and all other requirements are established by the Plan. In January 2005, a resolution was adopted to freeze the defined benefit plan effective April 1, 2005. Non-vested employees hired prior to January 1, 2005 will continue to vest in the plan, pending continual employment through the vesting date.

Membership in the Plan as of the last actuarial valuation consists of:

| | <u>01/01/09</u> | <u>01/01/08</u> |
|---|-----------------|-----------------|
| Retirees and beneficiaries receiving benefits | 567 | 540 |
| Terminated employees entitled to benefits but not yet receiving them | 1,580 | 1,488 |
| Active employees | <u>1,170</u> | <u>1,316</u> |
| TOTAL PARTICIPANTS | <u>3,317</u> | <u>3,344</u> |

Pension Benefits:

The annual benefit at normal retirement will be equal to the benefit accrued through December 31, 1988 under the previous pension plan formula plus, for each year after 1988, benefits accrued under a new formula. Under the formula benefits accrued at .75% of participant's annual pay up to a designated "breakpoint" and .5% of annual pay in excess of the breakpoint. Benefits ceased to accrue effective April 1, 2005 with the freezing of the Plan as of that date.

After five credited years of employment with the Hospital (counting all prior service), the pension benefit will be fully vested. Prior service counts for vesting purposes for terminated employees rehired within five years that were not fully vested at termination.

At retirement, the participant may choose to receive a monthly benefit amount in one of several annuity forms - life annuity, joint and survivor annuity, and ten year certain and life annuity.

EAST JEFFERSON GENERAL HOSPITAL
RETIREMENT AND SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

2. PLAN DESCRIPTION AND CONTRIBUTION INFORMATION: (Continued)

DEFINED BENEFIT RETIREMENT PLAN: (Continued)

Death Benefits:

If a participant dies after becoming vested, the surviving spouse will receive a monthly benefit from the plan. This benefit is only available to the surviving spouse and will be payable at the time the participant would have qualified for early retirement, unless the spouse elects to defer payments to a later date.

Contributions:

The Plan's funding policy provides for actuarially determined periodic contributions.

The actuarially recommended contribution for the plan year ending December 31, 2009 is shown below compared to the actual contribution made based on the prior valuation for 2008.

| | January 1, 2009 <u>for 2009</u> | January 1, 2008 <u>for 2008</u> |
|-------------------------|------------------------------------|------------------------------------|
| ANNUAL CONTRIBUTION: | | |
| As a dollar amount | \$ 1,851,102 | \$ 1,413,043 |
| As a percent of payroll | 3.0% | 2.1% |
| Participant payroll | \$ 61,093,503 | \$ 67,011,684 |

DEFINED CONTRIBUTION SAVINGS PLAN:

The Savings Plan includes a 401(a) plan that was frozen to new participants effective December 31, 2003 and reactivated in 2007. The Savings Plan also includes two 403(b) plans (the 403(b) and 403(b) Special) and a 457(b) plan that were established effective January 1, 2004. The 401(a) plan covered all full-time employees who have been employed for a twelve-month period during which at least one thousand hours of service are completed and who are at least twenty-one years of age.

With the exception of leased employees, all employees at least 21 years of age are eligible to make elective deferrals under the 403(b) plan. All full and part time employees are eligible for employer contributions under the 403(b) plan after attaining age twenty-one and completing one month of employment. All full and part-time employees are eligible for the 403(b) Special Plan. All employees who are at least 18 years of age are eligible to participate in the 457(b) Plan.

EAST JEFFERSON GENERAL HOSPITAL
RETIREMENT AND SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

2. PLAN DESCRIPTION AND CONTRIBUTION INFORMATION: (Continued)

DEFINED CONTRIBUTION SAVINGS PLAN: (Continued)

Contributions:

The 403(b) plan allows for employee elective deferrals to be made up to the limits allowed by the IRS. Effective April 2005, employer basic contribution increases in .5% increments for every five years of credited service. The initial base contribution is 2% for less than five years of service. Matching employer contributions are made at a rate equal to 100% of the elective deferral of each employee up to 2%. Effective in 2006, the Plan was amended to change the Hospital's funding to an annual basis, from pay period, and allows for confirmation of an employee's eligibility.

The 403(b) Special plan provides deferrals only after the following criteria are met:

1. Team members must first exercise their annual cash-in option of 80 hours.
2. Team members must submit a PTO allocation form between December 1 and December 15 indicating their requested deferral.

Special pay contributions are made with respect to both accumulated vacation and accumulated sick time.

The 457(b) plan allows employee elective deferrals up to the annual limits allowed by the IRS. No employer contributions are made to this plan.

During 2007 the 401(a) plan provided for a basic contribution by the Hospital of two percent of eligible annual compensation including overtime. This Plan was frozen effective December 31, 2003 and reactivated during 2007.

Participants' Accounts:

Participants in the Savings Plans have separate accounts for each of the Plans. Each participant's account is credited with the Hospital's contribution, if applicable, and Plan earnings. Allocation of the Hospital's contributions is based on Plan compensation. Compensation for Plan purposes is the employee's eligible annual compensation as specified in the plan document.

EAST JEFFERSON GENERAL HOSPITAL
RETIREMENT AND SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

2. PLAN DESCRIPTION AND CONTRIBUTION INFORMATION: (Continued)

DEFINED CONTRIBUTION SAVINGS PLAN: (Continued)

Vesting:

The participant is one hundred percent vested in Hospital contributions after the completion of five credited years of vesting service and upon death, disability or termination of the Plan with the exception of the 403(b) Special which provides for immediate 100% vesting. Vesting status is not pro-rated for the other defined contribution plans. For this purpose, participants earn one year of vesting service for each year in which they work one thousand hours or more. Any contributions made by participants for the Plan, and earnings on that contribution, are one hundred percent vested to the participants when made.

Withdrawals and Distributions:

Participants are allowed to withdraw their own contributions from the 401(a) plan. Hospital contributions may not be withdrawn. Withdrawals are limited to one per calendar year. No contributions may be made to the plan for a six-month period after a withdrawal, and during that six months the participant is ineligible to receive the Hospital's matching contributions.

Only hardship withdrawals are allowed for the 403(b) and 457(b) plans. AIG Valic determines if a participant is eligible for a hardship withdrawal based on IRS Section 457(d)(1)(A)(iii) of the Code. The 403(b) Special does not provide for in service distributions.

Loans are not permitted under the terms of the Plan with the exception of the 403(b) Special Plan.

With the implementation of the Katrina Emergency Tax Relief Act of 2005 (KETRA), employees were allowed withdrawals of their own contributions without the 10% early withdrawal penalty.

Although the Hospital does not allow loans, KETRA provided for these funds to be "re-contributed" to an eligible retirement plan at any time within the next three years.

Upon termination of employment for resignation, dismissal, retirement or death, the participant's contributions plus the vested portion of the Hospital's contributions, and the related earnings may be distributed to the participant or his/her designated beneficiary. In addition, the employee may remain in the Plan, request a rollover distribution, or a distribution in the form of a lump sum or annuity provided by the investment advisor.

EAST JEFFERSON GENERAL HOSPITAL
RETIREMENT AND SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

2. PLAN DESCRIPTION AND CONTRIBUTION INFORMATION: (Continued)

DEFINED CONTRIBUTION SAVINGS PLAN: (Continued)

Forfeitures:

Basic and matching deposits in the account of a participant who separates from service prior to becoming vested are forfeited and used to reduce Hospital contributions.

If a participant returns to service within five years, the dollar amount forfeited is restored to his account.

During the years ending December 31, 2008 and 2007 the 401(a) Plan used \$323,370 and \$150,448 respectively in forfeitures to offset employer contributions.

During the years ended December 31, 2008 and 2007 the 403(b) Plan used \$190,585 and \$230,057 in forfeitures to offset employer contributions.

3. ACTUARIAL COST METHOD:

The Traditional Unit Credit Cost Method was used to calculate the funding requirements for the defined benefit retirement plan for the years ended December 31, 2008 and 2007. Under this cost method, the normal cost of active participants under normal retirement age is equal to the actuarial present value of the benefit expected to accrue during the next year, taking into account pension, termination, death, and disability benefits. The normal cost for the plan is the total of the individually computed normal cost for all participants.

The funding cost of the Plan is derived by making certain specific assumptions as to rates of interest, mortality, and turnover which are assumed to hold for many years into the future.

4. REQUIRED SUPPLEMENTARY SCHEDULES:

Information in the required supplemental schedules is designed to provide information about the Plan's progress made in accumulating sufficient assets to pay benefits and is presented on pages 20-21.

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the Plan's cash equivalents and investments at December 31, 2008 and 2007.

EAST JEFFERSON GENERAL HOSPITAL
RETIREMENT AND SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

| | <u>Defined Benefit Retirement Plan</u> | <u>Savings Plans</u> | <u>Total</u> |
|------------------|--|--------------------------|-----------------------|
| 2008: | | | |
| Cash equivalents | \$ 4,447,401 | \$ -- | \$ 4,447,401 |
| Investments | <u>22,954,743</u> | <u>75,904,310</u> | <u>98,859,053</u> |
| | <u>\$ 27,402,144</u> | <u>\$ 75,904,310</u> | <u>\$ 103,306,454</u> |
| 2007: | | | |
| Cash equivalents | \$ 2,876,574 | \$ -- | \$ 2,876,574 |
| Investments | <u>38,169,741</u> | <u>85,922,451</u> | <u>124,092,192</u> |
| | <u>\$ 41,046,315</u> | <u>\$ 85,922,451</u> | <u>\$ 126,968,766</u> |

Cash Equivalents:

The Plan's cash equivalents totaling \$4,447,401 and \$2,876,574 at December 31, 2008 and 2007, respectively, consist of government backed pooled funds. The funds are held by a sub-custodian and are managed by a separate money manager and are in the name of the Plan's custodian's trust department.

Investments:

Hospital service districts are authorized under Louisiana R.S. 46:1068 to establish and maintain actuarially sound pension and retirement systems making contributions from hospital service district funds. They may make contracts of insurance with any insurance company legally authorized to do business in Louisiana and may enter into other contracts and Trust Agreements with banks, which are incidental to creating and maintaining an actuarially sound pension and retirement system. At December 31, 2008 and 2007, the Retirement Plan's investments were held by J P Morgan Chase. The Savings Plan's investments are held by AIG Federal Savings Bank.

Concentration of Credit Risk:

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's investment policy states that no more than 5% (of cost) of the assets assigned to an investment manager may be invested in the securities of one issuer. At June 30, 2008 and 2007, there were no investment holdings that exceeded the Plan's concentration of credit risk policy.

EAST JEFFERSON GENERAL HOSPITAL
RETIREMENT AND SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Credit Risk:

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Following are the credit ratings of the Plan's investments in long-term debt securities as of June 30, 2008 and June 30, 2007. (U. S. Government and Agency obligations totaling \$0 and \$5,139,964 for June 30, 2008 and June 30, 2007, respectively, are not rated.) Below is a schedule of other bonds with their applicable ratings.

| Investment Type | Total Fair Value | <u>2008</u> | | Foreign Obligations |
|--------------------|---------------------|-------------------|-------------------|------------------------|
| | | <u>Government</u> | <u>Corporate</u> | |
| AAA | \$ 210,302 | \$ -- | \$ 210,302 | \$ -- |
| AA+ | 56,797 | -- | 56,797 | -- |
| AA | 80,058 | -- | 80,058 | -- |
| AA- | -- | -- | -- | -- |
| A+ | -- | -- | -- | -- |
| A | 303,873 | -- | 303,873 | -- |
| A- | 52,921 | -- | 52,921 | -- |
| BBB+ | 112,843 | -- | 112,843 | -- |
| BBB | -- | -- | -- | -- |
| BBB- | -- | -- | -- | -- |
| Not Rated | -- | -- | -- | -- |
| | <u>\$ 816,794</u> | <u>\$ --</u> | <u>\$ 816,794</u> | <u>\$ --</u> |

| Investment Type | Total Fair Value | <u>2007</u> | | Foreign Obligations |
|--------------------|----------------------|----------------------|---------------------|------------------------|
| | | <u>Government</u> | <u>Corporate</u> | |
| AAA | \$ 8,117,681 | \$ 5,907,066 | \$ 2,133,345 | \$ 77,270 |
| AA+ | -- | -- | -- | -- |
| AA | 561,705 | -- | 561,705 | -- |
| AA- | 203,841 | -- | 203,841 | -- |
| A+ | 45,520 | -- | 45,520 | -- |
| A | 844,863 | -- | 844,863 | -- |
| A- | 411,782 | -- | 411,782 | -- |
| BBB+ | 305,809 | -- | 305,809 | -- |
| BBB | 142,048 | -- | 89,346 | 52,702 |
| BBB- | 351,811 | -- | 351,811 | -- |
| Not Rated | <u>5,682,987</u> | <u>5,139,964</u> | <u>543,023</u> | <u>--</u> |
| | <u>\$ 16,668,047</u> | <u>\$ 11,047,030</u> | <u>\$ 5,491,045</u> | <u>\$ 129,972</u> |

EAST JEFFERSON GENERAL HOSPITAL
RETIREMENT AND SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Credit Risk: (Continued)

The Plan's investment policy regarding credit risk states that all fixed income securities shall carry an investment grade rating of BBB or higher.

Custodial Credit Risk:

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Plan holds its cash equivalents in a nominee name in the amount of \$4,447,401 and \$2,876,574 for June 30, 2008 and 2007, respectively. The Plan has assets in the amount of \$98,859,053 and \$124,092,192 for June 30, 2008 and 2007, respectively, which are not held in a nominee name or in the name of the Plan and therefore exposed to custodial credit risk. These assets are held in JP Morgan Chase & Valic custodial accounts.

Interest Rate Risk:

Interest rate risk is defined as the risk that changes in the interest rates will adversely affect the fair value of an investment. As of June 30, 2008 and 2007, the Plan had the following investments in long-term debt securities and maturities:

| <u>2008</u> | | | | | |
|---|-----------------------------|--------------------|---------------------|---------------------|------------------------|
| <u>Investment Type</u> | <u>Total Fair Value</u> | <u>Less than 1</u> | <u>1 - 5</u> | <u>6 - 10</u> | <u>Greater than 10</u> |
| U.S. Government and Government Agency Obligations | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Other Bonds: | | | | | |
| Corporate | 816,794 | -- | 578,574 | -- | 238,220 |
| Asset-Backed | -- | -- | -- | -- | -- |
| Foreign Obligation | -- | -- | -- | -- | -- |
| | <u>\$ 816,794</u> | <u>\$ --</u> | <u>\$ 578,574</u> | <u>\$ --</u> | <u>\$ 238,220</u> |
| <u>2007</u> | | | | | |
| <u>Investment Type</u> | <u>Total Fair Value</u> | <u>Less than 1</u> | <u>1 - 5</u> | <u>6 - 10</u> | <u>Greater than 10</u> |
| U.S. Government and Government Agency Obligations | \$ 11,047,030 | \$ -- | \$ 5,548,638 | \$ 5,415,713 | \$ 82,679 |
| Other Bonds: | | | | | |
| Corporate | 4,558,540 | 118,921 | 2,074,263 | 891,710 | 1,473,646 |
| Asset-Backed | 932,505 | -- | 466,683 | 203,943 | 261,879 |
| Foreign Obligation | 129,972 | -- | -- | 129,972 | -- |
| | <u>\$ 16,668,047</u> | <u>\$ 118,921</u> | <u>\$ 8,089,584</u> | <u>\$ 6,641,338</u> | <u>\$ 1,818,204</u> |

The Plan has no formal investment policy regarding interest rate risk.

EAST JEFFERSON GENERAL HOSPITAL
RETIREMENT AND SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Interest Rate Risk: (Continued)

The Plan invests in collateralized mortgage obligations. These securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates.

Investment in Partnership:

During the year ended December 31, 2008, the Defined Benefit Plan has invested in Equitas Evergreen Fund, L. P. As of December 31, 2008 the Plan had a cost basis of \$5,535,360 and a market value of \$4,184,864.

6. USE OF ESTIMATES:

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

7. SAVINGS PLAN FUNDS:

During the year ended December 31, 2004 agreements with AIG Valic were obtained for each of the plans included in the Savings Plan. The hospital invests each participant's deferred compensation as directed by the employee. The investments are generally mutual funds; however, the plan documents provide for other types of investments. The responsibility for the selection of the investment alternatives has been retained by the Hospital.

The funds are included in the financial statements at December 31, 2008 and 2007 at fair market value.

8. PLAN TERMINATION:

Although it has not expressed any intent to do so, the Hospital has the right under the Plan to discontinue its contributions at any time and to terminate the Plan.

9. PRIOR PERIOD ADJUSTMENT:

A prior period adjustment in the amount of \$150,485 was made to record the 403(b) Special Plans Net Assets Held in Trust for Pension Benefits as of January 1, 2007. In the past this Plan was not included in the EJGH Retirement Plans financial report.

EAST JEFFERSON GENERAL HOSPITAL
RETIREMENT AND SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

10. FUNDED STATUS AND FUNDING PROGRESS – PENSION PLAN:

The funded status of the Plan as of December 31, 2008 is based on the most recent actuarial valuation dated January 1, 2009 as follows:

| <u>Actuarial Value of Assets</u> | <u>Actuarial Liability (AAL)</u> | <u>Accrued Unfunded AAL</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>UAAL as a Percentage of Covered Payroll</u> |
|--|--|-------------------------------------|-------------------------|----------------------------|--|
| <u>\$ 37,047,904</u> | <u>\$ 56,941,416</u> | <u>\$ 19,893,512</u> | <u>65.1</u> | <u>\$ 61,093,503</u> | <u>32.6</u> |

The supplementary information presented in the Schedule of Contributions - Employer and Other Sources and the Schedule of Funding Progress was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

| | |
|---------------------------|---------------------------------|
| Valuation Date | January 1, 2009 |
| Actuarial Cost Method | Traditional Unit Credit |
| Asset Valuation Method | 3-year smoothing |
| Actuarial Assumptions: | |
| Investment Rate of Return | 8.50% per annum |
| Amortization Method | Level Dollar |
| Amortization Period | 30 years Remaining (Open Basis) |
| Salary Increase Rate | \$- 0 - |

EAST JEFFERSON GENERAL HOSPITAL
RETIREMENT AND SAVINGS PLAN
SUPPLEMENTARY INFORMATION (RETIREMENT PLAN)
SCHEDULE OF CONTRIBUTIONS - EMPLOYER AND OTHER SOURCES
DECEMBER 31, 2003 THROUGH 2008

| <u>YEAR ENDED</u> <u>DECEMBER 31</u> | <u>ANNUAL</u> <u>REQUIRED</u> <u>CONTRIBUTION</u> | <u>PERCENTAGE</u> <u>CONTRIBUTED</u> |
|---|---|---|
| 2003 | \$3,476,412 | 100% |
| 2004 | 2,953,227 | 100 |
| 2005 | 1,444,309 | 100 |
| 2006 | 1,484,628 | 100 |
| 2007 | 1,497,719 | 100 |
| 2008 | 1,413,043 | 100 |

EAST JEFFERSON GENERAL HOSPITAL
RETIREMENT AND SAVINGS PLAN
SUPPLEMENTARY INFORMATION (RETIREMENT PLAN)
SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2003 THROUGH 2008

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------------|---------------------------------|--|-----------------|-----------------|--------------------|--|
| 01/01/04 | \$ 32,338,261 | \$ 46,598,037 | \$ 14,259,776 | 69.4 | \$ 80,774,461 | 17.7 % |
| 01/01/05 | 34,833,733 | 50,355,490 | 15,521,757 | 69.2 | 88,164,146 | 17.6 |
| 01/01/06 | 34,719,918 | 50,674,981 | 15,955,063 | 68.5 | 69,325,248 | 23.0 |
| 01/01/07 | 36,954,546 | 53,050,297 | 16,095,751 | 69.7 | 69,482,662 | 23.2 |
| 01/01/08 | 39,790,947 | 54,976,707 | 15,185,760 | 72.4 | 67,011,684 | 22.7 |
| 01/01/09 | 37,047,904 | * 56,941,416 | 19,893,512 | 65.1 | 61,093,503 | 32.6 |

* Effective with the 01/01/2009 actuarial valuation, the actuarial value of assets recognizes the difference between expected and actual net investment return over 3 years. (3-year smoothing)



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

1340 Poydras St., Suite 2000 · New Orleans, LA 70112

(504) 586-8866

FAX (504) 525-5888

www.dhmcpc.com

MICHAEL J. O'ROURKE, C.P.A.
WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR., C.P.A.
DAVID A. BURGARD, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A.
DENNIS W. DILLON, C.P.A.

ANN H. HEBERT, C.P.A.
ROBIN A. STROHMEYER, C.P.A.
GRADY C. LLOYD, III, C.P.A.
HENRY L. SILVIA, C.P.A.

A.J. DUPLANTIER JR., C.P.A.
(1919-1985)
FELIX J. HRAPMANN, JR., C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR., C.P.A.
(1926-1996)
JAMES MAHER, JR., C.P.A.
(1921-1999)

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA C.P.A.'S

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

March 30, 2009

To the Finance Committee
ATTN: Mr. Gregory Rittiner, Chairman
East Jefferson General Hospital
Retirement and Savings Plan
Metairie, Louisiana

We have audited the financial statements of the East Jefferson General Hospital, Retirement and Savings Plan, as of and for the year ended December 31, 2008, and have issued our report thereon dated March 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Plan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of East Jefferson General Hospital, Retirement and Savings Plans control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the Plan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Plan's financial statements that is more than inconsequential will not be prevented or detected by the Association's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the Plan's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Finance Committee, management, and the Legislative Auditor for the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP